



J. TYLER McCAULEY  
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION  
500 WEST TEMPLE STREET, ROOM 525  
LOS ANGELES, CALIFORNIA 90012-2766  
PHONE: (213) 974-8301 FAX: (213) 626-5427

December 11, 2006

TO: Supervisor Zev Yaroslavsky, Chairman  
Supervisor Gloria Molina  
Supervisor Yvonne B. Burke  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley *tm*  
Auditor-Controller

SUBJECT: **ARMENIAN RELIEF SOCIETY CONTRACT REVIEW – REFUGEE  
EMPLOYMENT PROGRAM**

We have conducted a program and fiscal contract review of Armenian Relief Society (ARS or Agency), a Refugee Employment Program (REP or Program) service provider.

**Background**

The Department of Public Social Services (DPSS) contracts with ARS, a private, non-profit, community-based organization to provide job-training and employment services to refugees who have resided in the United States for less than five years. The Agency's services include providing language, vocational and on-the-job work training and job seeking skills, assisting participants in retaining employment and paying for work related expenses such as transportation and union dues. The population that ARS serves resides in the First, Third, and Fifth Districts.

DPSS pays ARS a fixed fee for each type of service based on budgeted program costs and anticipated service levels. DPSS paid ARS \$582,704 for Fiscal Year 2005-06.

**Purpose/Methodology**

The purpose of the review was to determine whether ARS complied with its contract terms and appropriately accounted for and spent program funds in providing services to

*"To Enrich Lives Through Effective and Caring Service"*

the eligible participants. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines.

### **Results of Review**

Overall, ARS provided services required by the County contract using the appropriate number of staff who possessed the qualifications required by the County contract. The program participants stated that the services they received from ARS generally met their expectations. However, ARS did not have adequate segregation of duties over their accounting records. Specifically, the Fiscal Director recorded the cash received, prepared the bank deposit slips, reconciled the bank statements, and performed other bookkeeping functions.

The details of our review, along with recommendations for corrective action, are attached.

### **Review of Report**

We discussed our report with ARS management on October 23, 2006. In their attached response, ARS management indicated agreement with our report. We also notified DPSS of the results of our review.

We thank ARS for their cooperation and assistance during this review. Please call me if you have any questions, or your staff may contact Don Chadwick at (626) 293-1102.

JTM:MMO:DC

Attachment

c: David E. Janssen, Chief Administrative Officer  
Bryce Yokomizo, Director, Department of Public Social Services  
Sona Zinzalian, Executive Director, Armenian Relief Society  
Public Information Office  
Audit Committee

**REFUGEE EMPLOYMENT PROGRAM  
ARMENIAN RELIEF SOCIETY  
FISCAL YEAR 2005-2006**

**ELIGIBILITY**

**Objective**

Determine whether the Armenian Relief Society (ARS or Agency) provided services to individuals that meet the eligibility requirements of the Refugee Employment Program (REP or Program).

**Verification**

Based on the Department of Public Social Services (DPSS) request, we sampled 105 (14%) of the 774 program participants that received services during July, August and September 2005, and reviewed their case files for documentation to confirm the participants' eligibility for program services.

**Results**

All program participants sampled were eligible to receive program services. ARS also maintained appropriate documentation to support the participants' eligibility to receive program services.

**Recommendation**

**There are no recommendations for this section.**

**BILLED SERVICES/CLIENT VERIFICATION**

**Objective**

Determine whether ARS provided the services billed in accordance with their contract and the program participants received those services.

**Verification**

We reviewed the documentation contained in 105 (14%) program participant case files that received services in July, August and September 2005, to ensure that the services billed were provided in accordance with the County contract. We also interviewed 36 program participants to confirm the services ARS billed to DPSS were provided.

**Results**

ARS appropriately provided language, vocational and on-the-job work training, job seeking skills, assisted in attaining employment and paying work related expenses such as, transportation and union dues. In addition, the program participants stated that the services they received from ARS met their expectations.

**Recommendation**

There are no recommendations for this section.

**SERVICE/STAFFING LEVELS****Objectives**

Determine whether ARS's service and staffing levels did not significantly vary from planned levels.

**Verification**

We reviewed billing statements for July, August and September 2005 and compared them to Agency's proposed service levels for the same periods. In addition, we interviewed staff and reviewed ARS's employee rosters.

**Results**

ARS's reported service levels for our review period decreased by approximately 21% due to a reduction in the number of cases referred to the Agency by DPSS. However, the actual number of cases receiving services increased by approximately 170 cases transferred from another Agency which no longer provides REP services. These cases were not reflective in the service level for the review period since the previous Agency already billed DPSS.

The Agency's actual staffing level of fourteen full time equivalent staff increased by one staff from the planned level because of the additional cases. The overall effect did not impact the level of services provided by the Agency or the corresponding rates charged. The Agency indicated that the staffing levels are monitored and if the changes in the service levels consistently remain low they will adjust their staffing level proportionately.

**Recommendation**

There are no recommendations for this section.

**STAFFING QUALIFICATIONS****Objective**

Determine whether ARS's staff possessed the qualifications required by the contract.

**Verification**

We reviewed the personnel files of all 16 staff for documentation to confirm staff qualifications.

**Results**

Each of ARS's staff possessed the required employment eligibility verification, training, reading, writing and speaking requirements identified in the contract.

**Recommendation**

**There are no recommendations for this section.**

**CASH/REVENUES****Objective**

Determine whether cash receipts and revenue are properly recorded in the Agency's records and deposited timely in the Agency's bank account. Determine whether there are adequate controls over cash, petty cash, and other liquid assets.

**Verification**

We interviewed Agency personnel and reviewed financial records. We also reviewed the Agency's September 2005 bank reconciliation.

**Results**

ARS recorded and deposited cash receipts timely in the Agency's bank account. However, ARS did not have adequate segregation of duties. The Fiscal Director recorded cash received, prepared deposit slips, reconciled the bank statements and performed the bookkeeping functions. In addition, the bank reconciliations reviewed were not signed and dated by the preparer or reviewer.

**Recommendations****ARS management:**

1. Ensure alternative controls are established to ensure that fiscal duties are adequately separated.
2. Ensure that monthly reconciliations are signed by both the preparer and the reviewer.

**EXPENDITURES/PROCUREMENT****Objective**

Determine whether program related expenditures are allowable under the County contract, properly documented, and accurately billed.

**Verification**

We interviewed Agency personnel, reviewed financial records, and reviewed documentation for nine non-personnel expenditure transactions billed by the Agency for September 2005 totaling \$5,260.

**Results**

ARS's expenses were allowable, accurately billed to DPSS and properly documented as required.

**Recommendation**

There are no recommendations for this section.

**INTERNAL CONTROLS****Objective**

Determine whether the contractor maintained sufficient internal controls over its business operations.

**Verification**

We interviewed Agency personnel, reviewed their policies and procedures manuals, and tested transactions in various areas such as expenditures, payroll and personnel.

**Results**

ARS maintained sufficient internal controls over its business operations.

**Recommendation**

There are no recommendations for this section.

**FIXED ASSETS****Objective**

Determine whether ARS's purchases made with program funds are used for the program and that the assets are safeguarded.

**Verification**

We interviewed ARS personnel and reviewed the Agency's equipment inventory listing. In addition, we also performed a physical inventory of eight assets funded by the program to verify existence and that the property was being used as required.

**Results**

ARS's assets purchased with REP funds were used for the program. In addition, the Agency adequately safeguarded the assets.

**Recommendation**

There are no recommendations for this section.

**PAYROLL AND PERSONNEL****Objective**

Determine whether payroll is appropriately charged to the program. In addition, determine whether personnel files are maintained as required.

**Verification**

We reviewed payroll expenditures for 16 employees during September 2005, totaling \$34,497. We also interviewed staff and reviewed the personnel files of staff assigned to the program.

**Results**

The Agency program staff salaries were supported with time cards and charged appropriately to the program. In addition, ARS maintained personnel files in accordance with the County contract.

**Recommendation**

**There are no recommendations for this section.**

**COST ALLOCATION PLAN****Objective**

Determine whether ARS's Cost Allocation Plan was prepared in compliance with the County contract and applied to program costs.

**Verification**

We reviewed ARS's Cost Allocation Plan and a sample of expenditures incurred by the Agency during September 2005 to ensure that the expenditures were properly allocated to the appropriate programs.

**Results**

ARS's Cost Allocation Plan was prepared in compliance with the County contract requirements and costs were appropriately allocated.

**Recommendation**

**There are no recommendations for this section.**

**PRIOR YEAR FOLLOW-UP****Objective**

Determine the status of the recommendations reported in the prior audit review.

**Verification**

We reviewed the status of the recommendations, contained in the most current audit report dated May 20, 2005 that covered FY 2004-05. In addition, we reviewed the Agency's corrective action plan and financial records to ensure that the findings were resolved and recommendations were implemented.



**Results**

ARS implemented the three recommendations contained in the prior audit report.

**Recommendation**

There are no recommendations for this section.



ARMENIAN RELIEF SOCIETY  
SOCIAL SERVICES  
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ADMINISTRATIVE OFFICE

November 20, 2006

J. Tyler McCauley  
Los Angeles County Auditor-Controller  
500 W. Temple St., Room 525  
Los Angeles, CA 90012

**Contract Review Response**

Dear Mr. McCauley

We have reviewed the report issued by the Auditor-Controller Department and we are in general agreement with the recommendations "No findings" except the following:

**CASH/REVENUES**

"ARS did not have adequate segregation of duties over their accounting records, specially the Fiscal Director recorded cash received, prepared deposit slips, reconciled the bank statements and performed bookkeeping functions."

**RESPOND**

We will implement corrective action plan as follows:  
The Executive Director will record the cash received and will prepare the deposit slips.  
The Fiscal Director will reconcile the bank statements which will be reviewed by the General Accountant. The Fiscal Director and the General Accountant will both sign the reconciliations.

Please call me if you have any questions at (818) 241-7533 ext. 101

Sincerely,

Sona Zinzalian  
Executive Director

**SERVICE OFFICES:**

**GLENDAL:** 517 W. Glenoaks Blvd.  
Glendale, CA 91202  
Tel: (818) 241-7533  
Fax: (818) 241-5755

**MONTEBELLO:** 420 W. Washington Blvd.  
Montebello, CA 90640  
Tel: (323) 727-9055  
Fax: (323) 727-0059

**STUDIO CITY:** 11719 Moorpark Street  
Studio City, CA 91604  
Tel: (818) 753-8227  
Fax: (818) 623-0550

**HOLLYWOOD:** 1203 N. Vermont Ave.  
Los Angeles, CA 90029  
Tel: (323) 669-0471  
Fax: (323) 669-1235

**PASADENA:** 740 E. Washington Blvd.  
Pasadena, CA 91104  
Tel: (626) 797-6208  
Fax: (626) 798-7872